



Reimbursement Accounts

A great way to save money for some of life's important expenses and lower your taxes.

**Enroll in a FlexElect Medical Account and/or Dependent Care Account.
Open Enrollment is Sept. 15 – Oct. 15, 2004**

What's FlexElect?

The FlexElect program for State employees lets you set aside part of your wages in a "reimbursement account" to pay for certain expenses. FlexElect offers two types of reimbursement accounts: a "medical account" and a "dependent care account."

Medical Reimbursement Account

The medical account covers out-of-pocket health-related expenses for you and your dependents. The minimum monthly deduction is \$10. The maximum is \$5,000/year.

Dependent Care Account

The dependent care account is for paying someone to take care of your dependents so you can work. The minimum monthly deduction is \$20. The maximum is \$5,000/year per household.

What's the tax advantage of FlexElect?

The money you put in a FlexElect account is not taxable, nor are the reimbursement payments. That means you can reduce your income taxes by enrolling in a FlexElect account.

For dependent care expenses, some people may get a better tax break by claiming these expenses as a credit on their tax return. Decide which method works best for you before you enroll in FlexElect. Check with a tax advisor if you have questions.

Partial list of expenses covered by a FlexElect reimbursement account:

Medical Account

- ✓ Copays for office visits and prescriptions (but not out-of-pocket premiums)
- ✓ Lab fees
- ✓ Orthodontic work
- ✓ Eye glasses and contacts
- ✓ Laser eye surgery
- ✓ Hearing aids & exams
- ✓ Transportation for medical care
- ✓ Smoking-cessation programs

Dependent Care Account:

- ✓ Child care for kids under age 13
- ✓ Elder care for a parent, spouse, or child of any age who lives with you and is unable to care for himself or herself

How does it work?

When you enroll in FlexElect during Fall Open Enrollment, estimate your total covered expenses for the following year.

Use this estimate to decide how much to have deducted from your paycheck each month for your FlexElect account.

If you enroll during Open Enrollment, these monthly deductions are effective January 1 through December 31 of the coming year (called the "plan year").

After you receive a covered service, submit a claim for reimbursement from your account. Claims for services provided during the plan year are due by June 30 of the next year (2006).

Are there any disadvantages?

If you leave funds in your FlexElect account past the June 30, 2006 deadline to claim them, you lose the remaining funds.

To avoid that possibility, before you enroll make sure FlexElect covers the expenses you want to get reimbursed. Then be sure to carefully estimate how much those expenses will total for the plan year. Once deductions start, you can't make changes except in limited circumstances (described in the FlexElect handbook).

How do I estimate my deduction amount?

One way to estimate how much you expect to spend on qualified expenses next year is to add up how much you spent this past year. Add to that any additional planned expenses in the coming year.

Keep in mind you can only claim reimbursement for qualified medical and/or dependent care services provided during the "plan year," regardless of when you are billed or pay for the services. (If you enroll during the 2004 open enrollment, the plan year is January 1 - December 31, 2005.)

Be sure the expenses you include in your calculations meet the requirements of the program, so you don't find out too late that they won't qualify for reimbursement (which would cause you to forfeit your deductions).

To learn which expenses will qualify, read the FlexElect program handbook. Further detail is available in IRS Publication 502 (medical expenses) and IRS Publication 503 (dependent care expenses). Links to these publications are available online at www.dpa.ca.gov (under Benefits/FlexElect Reimbursement Accounts).

Am I eligible for FlexElect?

You're eligible to enroll in a FlexElect account if you have a permanent position that is halftime or greater, or a temporary position with a mandatory right of return to a permanent position that is half-time or greater. For questions about eligibility, check with your personnel office.

How do I enroll?

Ask your personnel office for a FlexElect Reimbursement Account enrollment form (Std. 701R), or print it from the Department of Personnel Administration's Web site at www.dpa.ca.gov (under Benefits/FlexElect Reimbursement Accounts).

Submit the completed form to your personnel office by the open enrollment deadline of October 15, 2004.

Your enrollment is effective for one year (January 1 - December 31, 2005). To continue participating in a FlexElect account in 2005, you must re-enroll during the 2004 Fall open enrollment.

For more information:

Visit www.dpa.ca.gov (Benefits/FlexElect Reimbursement Accounts), or ask your Personnel Office for a FlexElect handbook.